



General Assembly

February Session, 2014

Raised Bill No. 369

LCO No. 2059



Referred to Committee on FINANCE, REVENUE AND
BONDING

Introduced by:
(FIN)

***AN ACT CONCERNING CHANGES TO DEPARTMENT OF REVENUE
SERVICES STATUTES.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Section 12-7a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2014*):

3 (a) The annual report prepared by the Commissioner of Revenue
4 Services for submission to the Governor and publication as provided
5 in section 4-60 shall not be required to include the name of any person
6 liable for payment of any tax which is unpaid. The commissioner shall
7 prepare and maintain a list related to each type of tax levied by the
8 state, containing the name and address of any person or corporation
9 liable for payment of any such tax and the amount thereof, including
10 any applicable interest or penalties, which tax, as of the end of the
11 fiscal year with respect to which such report is prepared, is unpaid and
12 a period in excess of ninety days has elapsed following the date on
13 which such tax was due, exclusive of any tax determined to be
14 uncollectible in accordance with section 12-37, any tax on which an

15 appeal is pending and any tax which has been abated by said
16 commissioner as provided in section 12-39. Such lists shall be available
17 to the public for inspection by any person.

18 (b) The commissioner shall annually prepare, from the list prepared
19 pursuant to subsection (a) of this section, a list of taxpayers who are
20 delinquent in the payment of the corporation business tax under
21 chapter 208. The list shall be arranged in sequential order by the
22 taxpayer identification number assigned by the commissioner and
23 shall be provided to the Secretary of the Office of Policy and
24 Management not later than July fifteenth annually, commencing July
25 15, 1998.

26 (c) The commissioner may make available for public inspection a list
27 of those persons who have applied to the commissioner for a license,
28 permit or certificate, and whose application has been denied, and those
29 persons who were issued a license, permit or certificate by the
30 commissioner and whose license, permit or certificate has been
31 revoked, suspended or not renewed by the commissioner. The list shall
32 be arranged by tax type and may include the date on which each
33 application was denied or the date on which the license, permit or
34 certificate was revoked, suspended or not renewed, and may include
35 the reason for each such action.

36 Sec. 2. Section 12-414 of the general statutes is repealed and the
37 following is substituted thereof (*Effective October 1, 2014*):

38 [(1)] (a) The taxes imposed by this chapter are due and payable to
39 the commissioner monthly on or before the [last] twentieth day of the
40 month next succeeding each monthly period except that (1) every
41 person whose total tax liability for the twelve-month period [ended]
42 ending on the preceding June thirtieth was less than four thousand
43 dollars shall [file returns] remit tax on a quarterly basis, and (2) every
44 person described in subdivision (2) of subsection (e) of this section
45 shall remit tax as prescribed by the commissioner under said

46 subdivision (2). "Quarterly" means a period of three calendar months
47 commencing on the first day of January, April, July or October of each
48 year or, if any seller commences business on a date other than the first
49 day of January, April, July or October, a period beginning on the date
50 of commencement of business and ending on March thirty-first, June
51 thirtieth, September thirtieth or December thirty-first, respectively.

52 [(2)] (b) On or before the [last] twentieth day of the month following
53 each monthly or quarterly period, as the case may be, or on the date or
54 dates prescribed by the commissioner under subsection (e) of this
55 section, a return for the preceding period shall be filed with the
56 commissioner in such form as the commissioner may prescribe. For
57 purposes of the sales tax a return shall be filed by every seller. For
58 purposes of the use tax a return shall be filed by every retailer engaged
59 in business in the state and by every person purchasing services or
60 tangible personal property, the storage, acceptance, consumption or
61 other use of which is subject to the use tax, who has not paid the use
62 tax due a retailer required to collect the tax, except that every person
63 making such purchases for personal use or consumption in this state,
64 and not for use or consumption in carrying on a trade, occupation,
65 business or profession, need file only one use tax return covering
66 purchases during a calendar year. Such return shall be filed and the tax
67 due thereon paid on or before the fifteenth day of the fourth month
68 succeeding the end of the calendar year for which such return is filed.
69 Returns shall be signed by the person required to file the return or by
70 his or her authorized agent but need not be verified by oath, provided
71 a return required to be filed by a corporation shall be signed by an
72 officer of such corporation.

73 [(3)] (c) For purposes of the sales tax, the return shall show the gross
74 receipts of the seller during the preceding reporting period. For
75 purposes of the use tax, in case of a return filed by a retailer, the return
76 shall show the total sales price of the services or property sold by [him]
77 the retailer, the storage, acceptance, consumption or other use of which
78 became subject to the use tax during the preceding reporting period; in

79 case of a return filed by a purchaser, the return shall show the total
80 sales price of the service or property purchased by [him] the purchaser,
81 the storage, acceptance, consumption or other use of which became
82 subject to the use tax during the preceding reporting period. The
83 return shall also show the amount of the taxes for the period covered
84 by the return in such manner as the commissioner may require and
85 such other information as the commissioner deems necessary for the
86 proper administration of this chapter. The Commissioner of Revenue
87 Services is authorized in his or her discretion, for purposes of
88 expediency, to permit returns to be filed in an alternative form wherein
89 the person filing the return may elect to report his or her gross receipts,
90 including the tax reimbursement to be collected as provided for
91 [herein] in this section, as a part of such gross receipts or to report his
92 or her gross receipts exclusive of the tax collected in such cases where
93 the gross receipts from sales have been segregated from tax collections.
94 In the case of the former, the percentage of such tax-included gross
95 receipts that may be considered to be the gross receipts from sales
96 exclusive of the taxes collected thereon shall be computed by dividing
97 the numeral one by the sum of the rate of tax provided in section 12-
98 408, expressed as a decimal, and the numeral one.

99 [(4)] (d) Returns, together with the amount of the tax due thereon,
100 shall be filed with the Commissioner of Revenue Services.

101 [(5)] (e) (1) The commissioner, if he or she deems it necessary in
102 order to insure payment to or facilitate the collection by the state of the
103 amount of taxes, may permit or require returns and payment of the
104 amount of taxes for other than monthly or quarterly periods.

105 (2) (A) For purposes of this subdivision, "weekly period" means the
106 seven-day period beginning on a Saturday and ending the following
107 Friday. The commissioner may require any person who is delinquent,
108 as described in section 12-7a, as amended by this act, to remit the tax
109 collected during a weekly period on a weekly basis. Any person who is
110 required to remit tax for a weekly period shall remit such tax to the

111 commissioner on or before the Wednesday next succeeding the weekly
112 period and shall do so in the manner and method prescribed by the
113 commissioner. The requirement to remit tax on a weekly basis shall not
114 alter a person's obligation to file monthly or quarterly returns, as the
115 case may be, as provided in subdivision (2) of this subsection. To the
116 extent that the end of one month and the beginning of the following
117 month may fall within the same weekly period, each person required
118 by the commissioner to remit tax under this subparagraph shall report
119 all of the tax collected and remitted during such weekly period,
120 regardless of the month, along with the corresponding gross receipts,
121 on the return covering the monthly period that ended during such
122 weekly period.

123 (B) The commissioner shall send a written notice, in accordance
124 with the provisions of section 12-2f, to each person required to remit
125 tax on a weekly basis pursuant to this subdivision. Any person so
126 required shall remit tax on a weekly basis for a period of one year
127 commencing from the date set forth in such notice. Such notice shall
128 also contain information regarding the manner and method of such
129 remittal.

130 (C) Any person who fails to remit tax as provided in this
131 subdivision shall be subject to all penalties imposed under this chapter,
132 including revocation of such person's permit.

133 [(6) The] (f) Except for returns and payments required to be made
134 under subdivision (2) of subsection (e) of this section, the
135 commissioner for good cause may extend the time for making any
136 return and paying any amount required to be paid under this chapter,
137 if a written request therefor is filed with the commissioner together
138 with a tentative return which must be accompanied by a payment of
139 the tax, which shall be estimated in such tentative return, on or before
140 the last day for filing the return. Any person to whom an extension is
141 granted shall pay, in addition to the tax, interest at the rate of one per
142 cent per month or fraction thereof from the date on which the tax

143 would have been due without the extension until the date of payment.

144 Sec. 3. (NEW) (*Effective from passage*) (a) The Commissioner of
145 Revenue Services shall enter into agreements with financial
146 institutions, as defined in Section 469A(d)(1) of the Social Security Act,
147 as amended from time to time, doing business in this state, to develop
148 and operate a data match system using automated data exchanges to
149 the maximum extent feasible. Notwithstanding the provisions of
150 section 12-15 of the general statutes, the commissioner shall provide to
151 each financial institution a list of taxpayers who owe taxes to the state,
152 which taxes are finally due and payable and with respect to which any
153 administrative or judicial remedies, or both, have been exhausted or
154 have lapsed. Such list shall include each taxpayer's address, Social
155 Security number or other taxpayer identification number. Not later
156 than ninety days after receipt of such list from the commissioner, each
157 financial institution shall provide the commissioner with the names of
158 those taxpayers who appear on the commissioner's list who maintain
159 an account with such financial institution, the address and Social
160 Security number or other taxpayer identification number associated
161 with each such account and a statement as to whether the balance of
162 each such account exceeds one thousand dollars. For the purposes of
163 this section, "account" means a demand deposit account, checking or
164 negotiable withdrawal order account, savings account, time deposit
165 account or money-market mutual fund account.

166 (b) A financial institution shall not be liable to any person for (1)
167 disclosing information to the Commissioner of Revenue Services
168 pursuant to this section, or (2) any other action taken in good faith to
169 comply with the requirements of subsection (a) of this section.

170 Sec. 4. Subdivision (10) of subsection (a) of section 12-701 of the
171 general statutes is repealed and the following is substituted in lieu
172 thereof (*Effective from passage and applicable to taxable years commencing*
173 *on or after January 1, 2014*):

174 (10) "Connecticut fiduciary adjustment" means the net positive or
175 negative total of the following items relating to income, gain, loss or
176 deduction of a trust or estate: (A) There shall be added together (i) any
177 interest income from obligations issued by or on behalf of any state,
178 political subdivision thereof, or public instrumentality, state or local
179 authority, district or similar public entity, exclusive of such income
180 from obligations issued by or on behalf of the state of Connecticut, any
181 political subdivision thereof, or public instrumentality, state or local
182 authority, district or similar public entity created under the laws of the
183 state of Connecticut and exclusive of any such income with respect to
184 which taxation by any state is prohibited by federal law, (ii) any
185 exempt-interest dividends, as defined in Section 852(b)(5) of the
186 Internal Revenue Code, exclusive of such exempt-interest dividends
187 derived from obligations issued by or on behalf of the state of
188 Connecticut, any political subdivision thereof, or public
189 instrumentality, state or local authority, district or similar public entity
190 created under the laws of the state of Connecticut and exclusive of
191 such exempt-interest dividends derived from obligations, the income
192 with respect to which taxation by any state is prohibited by federal
193 law, (iii) any interest or dividend income on obligations or securities of
194 any authority, commission or instrumentality of the United States
195 which federal law exempts from federal income tax but does not
196 exempt from state income taxes, (iv) to the extent properly includable
197 in determining the net gain or loss from the sale or other disposition of
198 capital assets for federal income tax purposes, any loss from the sale or
199 exchange of obligations issued by or on behalf of the state of
200 Connecticut, any political subdivision thereof, or public
201 instrumentality, state or local authority, district or similar public entity
202 created under the laws of the state of Connecticut, in the income year
203 such loss was recognized, (v) to the extent deductible in determining
204 federal taxable income prior to deductions relating to distributions to
205 beneficiaries, any income taxes imposed by this state, (vi) to the extent
206 deductible in determining federal taxable income prior to deductions
207 relating to distributions to beneficiaries, any interest on indebtedness

208 incurred or continued to purchase or carry obligations or securities the
209 interest on which is exempt from tax under this chapter, (vii) expenses
210 paid or incurred during the taxable year for the production or
211 collection of income which is exempt from tax under this chapter, or
212 the management, conservation or maintenance of property held for the
213 production of such income, and the amortizable bond premium for the
214 taxable year on any bond the interest on which is exempt from taxation
215 under this chapter, to the extent that such expenses and premiums are
216 deductible in determining federal taxable income prior to deductions
217 relating to distributions to beneficiaries, [and] (viii) to the extent
218 deductible in determining federal taxable income prior to deductions
219 relating to distributions to beneficiaries, the deduction allowable as
220 qualified domestic production activities income, pursuant to Section
221 199 of the Internal Revenue Code, and (ix) to the extent not included in
222 federal taxable income prior to deductions relating to distributions to
223 beneficiaries, the total amount of a lump sum distribution for the
224 taxable year. (B) There shall be subtracted from the sum of such items
225 (i) to the extent properly includable in gross income for federal income
226 tax purposes, any income with respect to which taxation by any state is
227 prohibited by federal law, (ii) to the extent allowable under section 12-
228 718, exempt dividends paid by a regulated investment company, (iii)
229 with respect to any trust or estate which is a shareholder of an S
230 corporation which is carrying on, or which has the right to carry on,
231 business in this state, as said term is used in section 12-214, the amount
232 of such shareholder's pro rata share of such corporation's
233 nonseparately computed items, as defined in Section 1366 of the
234 Internal Revenue Code, that is subject to tax under chapter 208, in
235 accordance with subsection (c) of section 12-217 multiplied by such
236 corporation's apportionment fraction, if any, as determined in
237 accordance with section 12-218, (iv) to the extent properly includable
238 in gross income for federal income tax purposes, any interest income
239 from obligations issued by or on behalf of the state of Connecticut, any
240 political subdivision thereof, or public instrumentality, state or local
241 authority, district or similar public entity created under the laws of the

242 state of Connecticut, (v) to the extent properly includable in
 243 determining the net gain or loss from the sale or other disposition of
 244 capital assets for federal income tax purposes, any gain from the sale
 245 or exchange of obligations issued by or on behalf of the state of
 246 Connecticut, any political subdivision thereof, or public
 247 instrumentality, state or local authority, district or similar public entity
 248 created under the laws of the state of Connecticut, in the income year
 249 such gain was recognized, (vi) any interest on indebtedness incurred
 250 or continued to purchase or carry obligations or securities the interest
 251 on which is subject to tax under this chapter, but exempt from federal
 252 income tax, to the extent that such interest on indebtedness is not
 253 deductible in determining federal taxable income prior to deductions
 254 relating to distributions to beneficiaries, (vii) ordinary and necessary
 255 expenses paid or incurred during the taxable year for the production
 256 or collection of income which is subject to taxation under this chapter,
 257 but exempt from federal income tax, or the management, conservation
 258 or maintenance of property held for the production of such income,
 259 and the amortizable bond premium for the taxable year on any bond
 260 the interest on which is subject to tax under this chapter, but exempt
 261 from federal income tax, to the extent that such expenses and
 262 premiums are not deductible in determining federal taxable income
 263 prior to deductions relating to distributions to beneficiaries, and (viii)
 264 the amount of any refund or credit for overpayment of income taxes
 265 imposed by this state, to the extent properly includable in gross
 266 income for federal income tax purposes for the taxable year and to the
 267 extent deductible in determining federal taxable income prior to
 268 deductions relating to distributions to beneficiaries for the preceding
 269 taxable year.

270 Sec. 5. Subsection (a) of section 12-711 of the general statutes is
 271 repealed and the following is substituted in lieu thereof (*Effective from*
 272 *passage*):

273 (a) The income of a nonresident natural person derived from or
 274 connected with sources within this state shall be the sum of the net

275 amount of items of income, gain, loss and deduction entering into his
 276 or her Connecticut adjusted gross income for the taxable year, derived
 277 from or connected with sources within this state, including: (1) His or
 278 her distributive share of partnership income, gain, loss and deduction,
 279 determined under section 12-712, [and] (2) his or her pro rata share of S
 280 corporation income, gain, loss and deduction, determined under
 281 section 12-712, [and] (3) his or her share of estate or trust income, gain,
 282 loss and deduction, determined under section 12-714, and (4) his or her
 283 compensation from nonqualified deferred compensation plans
 284 attributable to services performed within the state, including, but not
 285 limited to, compensation required to be included in federal gross
 286 income under Section 457A of the Internal Revenue Code.

287 Sec. 6. Subsections (b) and (c) of section 12-711 of the general
 288 statutes are repealed and the following is substituted in lieu thereof
 289 (*Effective from passage and applicable to taxable years commencing on or after*
 290 *January 1, 2014*):

291 (b) (1) Items of income, gain, loss and deduction derived from or
 292 connected with sources within this state shall be those items
 293 attributable to: (A) The ownership or disposition of any interest in real
 294 property in this state or tangible personal property in this state, as
 295 determined pursuant to subdivision (5) of this subsection; (B) a
 296 business, trade, profession or occupation carried on in this state; (C) in
 297 the case of a shareholder of an S corporation, the ownership of shares
 298 issued by such corporation, to the extent determined under section 12-
 299 712; or (D) winnings from a wager placed in a lottery conducted by the
 300 Connecticut Lottery Corporation, if the proceeds from such wager are
 301 required, under the Internal Revenue Code or regulations adopted
 302 thereunder, to be reported by the Connecticut Lottery Corporation to
 303 the Internal Revenue Service.

304 (2) Income from intangible personal property, including annuities,
 305 dividends, interest and gains from the disposition of intangible
 306 personal property, shall constitute income derived from sources within

307 this state only to the extent that such income is from (A) property
308 employed in a business, trade, profession or occupation carried on in
309 this state, or (B) winnings from a wager placed in a lottery conducted
310 by the Connecticut Lottery Corporation, if the proceeds from such
311 wager are required, under the Internal Revenue Code or regulations
312 adopted thereunder, to be reported by the Connecticut Lottery
313 Corporation to the Internal Revenue Service.

314 (3) Deductions with respect to capital losses and net operating losses
315 shall be based solely on income, gain, loss and deduction derived from
316 or connected with sources within this state, under regulations adopted
317 by the commissioner, but otherwise shall be determined in the same
318 manner as the corresponding federal deductions.

319 (4) Income directly or indirectly derived by an athlete, entertainer or
320 performing artist from closed-circuit and cable television transmissions
321 of an event, other than events occurring on a regularly scheduled basis,
322 taking place within this state as a result of the rendition of services by
323 such athlete, entertainer or performing artist shall constitute income
324 derived from or connected with sources within this state only to the
325 extent that such transmissions were received or exhibited within this
326 state.

327 (5) For purposes of subparagraph (A) of subdivision (1) of this
328 subsection, "interest in real property in this state" includes an interest
329 in an entity, and "entity" means a partnership, limited liability
330 company or S corporation that owns real property that is located
331 within this state, and has a fair market value that equals or exceeds
332 fifty per cent of all the assets of the entity on the date of sale or
333 disposition by a nonresident natural person of such person's interest in
334 the entity. Only those assets that the entity owned for at least two
335 years prior to the date of the sale or disposition of the person's interest
336 in the entity are to be used in determining the fair market value of all
337 the assets of the entity on the date of such sale or disposition. The gain
338 or loss derived from Connecticut sources from such person's sale or

339 disposition of an interest in such entity is the total gain or loss for
340 federal income tax purposes from such sale or disposition multiplied
341 by a fraction, the numerator of which is the fair market value of all real
342 property located in this state owned by the entity on the date of such
343 sale or disposition, and the denominator of which is the fair market
344 value of all the assets of the entity on the date of such sale or
345 disposition.

346 (c) (1) If a business, trade, profession or occupation is carried on
347 partly within and partly without this state, as determined under rules
348 or regulations of the commissioner, the items of income, gain, loss and
349 deduction derived from or connected with sources within this state
350 shall be determined by apportionment under such rules or regulations
351 and the provisions of this subsection.

352 (2) The proportion of the net amount of the items of income, gain,
353 loss and deduction attributable to the activities of the business, trade,
354 profession or occupation carried on in this state shall be determined by
355 multiplying the net amount of the items of income, gain, loss and
356 deduction of the business, trade, profession or occupation by the
357 average of the percentages of property, payroll and gross income in
358 this state. The gross income percentage shall be computed by dividing
359 the gross receipts from sales of property or services earned within this
360 state, by the total gross receipts from sales of property or services,
361 whether earned within or without this state. Gross receipts from sales
362 of property are considered to be earned within this state when the
363 property is delivered or shipped to a purchaser within this state,
364 regardless of the F.O.B. point or other conditions of the sale. Gross
365 receipts from sales of services are considered to be earned within the
366 state when the services are performed by an employee, agent, agency
367 or independent contractor chiefly situated at, connected by contract or
368 otherwise, with or sent out from offices or branches of the business,
369 trade, profession or occupation or other agencies or locations situated
370 within this state.

371 Sec. 7. Section 12-432c of the general statutes is repealed and the
372 following is substituted in lieu thereof (*Effective October 1, 2014*):

373 (a) If any cumulative monthly financial statement issued by the
374 Comptroller pursuant to section 3-115 after September 9, 2009, and
375 before January 1, 2010, indicates that the estimated gross tax revenue
376 to the General Fund, to the end of the fiscal year ending June 30, 2010,
377 is at least one per cent less than the estimated gross tax revenue to the
378 General Fund for said fiscal year, included in public act 09-3 of the
379 June special session pursuant to section 2-35, the amendments made to
380 the provisions of subdivisions (1) and (3) of section 12-408, subdivision
381 (1) of section 12-411, subsection (c) of section 12-411b and [subdivision
382 (3)] subsection (c) of section 12-414, as amended by this act, pursuant
383 to sections 108 to 112, inclusive, of public act 09-3 of the June special
384 session, shall not take effect.

385 (b) If any cumulative monthly financial statement issued by the
386 Comptroller pursuant to section 3-115 after January 1, 2010, and on or
387 before June 30, 2010, indicates that the estimated gross tax revenue to
388 the General Fund, to the end of the fiscal year ending June 30, 2010, is
389 at least one per cent less than the estimated gross tax revenue to the
390 General Fund for said fiscal year, included in public act 09-3 of the
391 June special session pursuant to section 2-35, (1) the amendments
392 made to the provisions of subdivisions (1) and (3) of section 12-408,
393 subdivision (1) of section 12-411, subsection (c) of section 12-411b and
394 [subdivision (3)] subsection (c) of section 12-414, as amended by this
395 act, pursuant to sections 108 to 112, inclusive, of public act 09-3 of the
396 June special session, shall, on and after July 1, 2010, be inoperative and
397 have no effect, and (2) the provisions of said subdivisions and
398 subsection of said sections of the general statutes, revision of 1958,
399 revised to December 31, 2009, shall be effective on and after July 1,
400 2010.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	12-7a
Sec. 2	<i>October 1, 2014</i>	12-414
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage and applicable to taxable years commencing on or after January 1, 2014</i>	12-701(a)(10)
Sec. 5	<i>from passage</i>	12-711(a)
Sec. 6	<i>from passage and applicable to taxable years commencing on or after January 1, 2014</i>	12-711(b) and (c)
Sec. 7	<i>October 1, 2014</i>	12-432c

Statement of Purpose:

To make several changes to Department of Revenue Services statutes, including to (1) allow publication of a list of persons whose licenses, permits or certificates have been denied, revoked, suspended or not renewed, (2) provide for an earlier monthly remittal of sales tax receipts and for weekly remittal of such receipts for retailers who have been found to be delinquent, (3) require the Commissioner of Revenue Services to work with financial institutions to develop a data match system of delinquent taxpayers and persons with accounts at such institutions, (4) allow a modification for trusts and estates for lump sum distributions from qualified plans, similar to that allowed to individual filers, (5) clarify that federal offshore hedge fund income is considered Connecticut sourced income for non-residents when attributable to services performed in this state, (6) change the gross income factor for apportionment purposes of the personal income tax to mirror that of the corporation business tax which sources sales made by partnerships and other pass-through entities to the location of the customer as opposed to the origin of the sale, and (7) make conforming changes.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]